

June 17, 2003



# Defense Infrastructure

Department of Defense Policies  
and Procedures to Implement the  
Rural Development Act of 1972  
(D-2003-104)

Department of Defense  
Office of the Inspector General

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INSPECTOR GENERAL  
DEPARTMENT OF DEFENSE  
400 ARMY NAVY DRIVE  
ARLINGTON, VIRGINIA 22202-4704

June 17, 2003

MEMORANDUM FOR DEPUTY UNDER SECRETARY OF DEFENSE  
(INSTALLATIONS AND ENVIRONMENT)

SUBJECT: Report on Department of Defense Policies and Procedures to Implement  
the Rural Development Act of 1972 (Report No. D-2003-104)

We are providing this report for your information and use. We performed this audit in response to Public Law 108-7, "Consolidated Appropriations Resolution FY 2003," section 638, February 20, 2003. We considered management comments on a draft of this report when preparing the final report. The Deputy Under Secretary of Defense (Installations and Environment) comments conformed to the requirements of DoD Directive 7650.3; therefore, additional comments are not required.

We appreciate the courtesies extended to the staff. Questions should be directed to Mr. Joseph P. Doyle at (703) 604-9349 (DSN 664-9349) or Ms. Deborah L. Carros at (703) 604-9217 (DSN 664-9217). See Appendix B for the report distribution. The team members are listed inside the back cover.

*David K. Steensma*

David K. Steensma  
Deputy Assistant Inspector General  
for Auditing

## **Office of the Inspector General of the Department of Defense**

**Report No. D-2003-104**

(Project No. D2003CK-0092)

**June 17, 2003**

### **Department of Defense Policies and Procedures to Implement the Rural Development Act of 1972**

#### **Executive Summary**

**Who Should Read This Report and Why?** Civil service and uniformed officers responsible for real property acquisition and management should read this report because the report discusses statutory requirements for giving first priority to the location of new offices and other facilities in rural areas.

**Background.** The audit was conducted in response to Public Law 108-7, "Consolidated Appropriations Resolution FY 2003," February 20, 2003, which states:

Not later than 6 months after the date of enactment of this Act, the Inspector General of each applicable department or agency shall submit to the Committee on Appropriations a report detailing what policies and procedures are in place for each department or agency to give first priority to the location of new offices and other facilities in rural areas, as directed by the Rural Development Act of 1972.

**Results.** DoD had established policies for implementing the requirements of the Rural Development Act of 1972; however, with the exception of the Air Force, DoD had not established procedures that would specifically give first priority to the location of new offices and other facilities in rural areas. As a result, rural areas may be overlooked during the relocation of new offices and other facilities. Army and Navy regulations governing real property acquisition were under revision and included draft procedures for implementing Rural Development Act requirements. Revising DoD regulations to specifically reflect the requirements of the Rural Development Act of 1972 will result in additional assurance that DoD meets the intent of the Act. (See the Finding section of the report for detailed recommendations.)

**Management Comments.** The Principal Assistant Deputy Under Secretary of Defense (Installations and Environment) concurred with the recommendation and had initiated action to revise the applicable guidance. (See the Finding section for the complete discussion of management actions.)

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## **Background**

This audit was performed in response to Public Law 108-7, “Consolidated Appropriations Resolution FY 2003,” section 638, February 20, 2003. Public Law 108-7 states:

Not later than 6 months after the date of enactment of this Act, the Inspector General of each applicable department or agency shall submit to the Committee on Appropriations a report detailing what policies and procedures are in place for each department or agency to give first priority to the location of new offices and other facilities in rural areas, as directed by the Rural Development Act of 1972.

## **Objectives**

The overall objective was to determine whether DoD had policies and procedures that implement the requirements of the Rural Development Act of 1972. Specifically, we determined whether DoD Components and Military Departments had policies and procedures in place that would give first priority to the location of new offices and other facilities in rural areas. We did not review the management control program as it related to the overall objective because of time constraints associated with submitting the report within the congressionally mandated 6-month time frame. See Appendix A for a discussion of the scope, methodology, and prior audit coverage related to the objective.

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## **Policies and Procedures of the Rural Development Act of 1972**

DoD had established policies for implementing the requirements of the Rural Development Act of 1972; however, with the exception of the Air Force, DoD had not established procedures that would specifically give first priority to the location of new offices and other facilities in rural areas. That condition occurred because the Office of the Secretary of Defense, the Army, and the Navy had not made implementation of Rural Development Act requirements a priority. As a result, rural areas may be overlooked during relocation of new offices and other facilities. Army and Navy regulations governing real property acquisition were under revision and included draft procedures for implementing Rural Development Act requirements. Revising DoD guidance to specifically reflect the requirements of the Rural Development Act of 1972 will result in additional assurance that DoD meets the intent of the Act.

### **Criteria**

**Public Law 92-419, “Rural Development Act,” section 601, August 30, 1972.** Public Law 92-419 states:

Congress hereby directs the heads of all executive departments and agencies of the Government to establish and maintain departmental policies and procedures giving first priority to the location of new offices and other facilities in rural areas as defined in the private business enterprise exception in section 306 (a)(7) of the Consolidated Farmers Home Administration Act of 1961, as amended (7 U.S.C. [United States Code] 1926).

**Public Law 108-7, “Consolidated Appropriations Resolution FY 2003,” section 638, February 20, 2003.** Public Law 108-7 states:

Not later than 6 months after the date of enactment of this Act, the Inspector General of each applicable department or agency shall submit to the Committee on Appropriations a report detailing what policies and procedures are in place for each department or agency to give first priority to the location of new offices and other facilities in rural areas, as directed by the Rural Development Act of 1972.

**DoD Directive 4165.6, “Real Property Acquisition, Management, and Disposal, September 1, 1987.** DoD Directive 4165.6 requires that the Military Departments and Defense agencies determine which real property satisfies military requirements. The Directive requires that the Office of the Under Secretary of Defense for Acquisition, Technology, and Logistics [formerly the Assistant Secretary of Defense (Productions and Logistics)] establish DoD policy regarding acquisition, management, and disposal of real property.



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**Air Force Handbook 32-9007, “Managing Air Force Real Property,” May 1, 1999.** The Handbook states that when acquiring real property, the requesting activity must provide a statement acknowledging that the selected area is in compliance with the Rural Development Act of 1972.

## **DoD Policy and Procedures on the Rural Development Act**

DoD had established policies for implementing the requirements of the Rural Development Act of 1972. With the exception of the Air Force, however, DoD had not established procedures to specifically give first priority to the location of new offices and other facilities in rural areas.

**Office of the Secretary of Defense Policy and Procedures.** On February 21, 2003, the Office of the Deputy Under Secretary of Defense (Installations and Environment) issued a policy memorandum to the DoD Components in response to Inspector General of the Department of Defense (IG DoD) Report No. D-2002-089, “Department of Defense Policies and Procedures to Implement the Rural Development Act of 1972,” May 10, 2002. The purpose of the memorandum was to ensure that DoD Components are implementing the provisions of the Rural Development Act of 1972. However, DoD Directive 4165.6, the governing regulation on DoD real property acquisition, does not include procedures for implementing requirements of the Rural Development Act. Personnel from the Office of the Deputy Under Secretary of Defense (Installations and Environment) stated that they plan to revise DoD Directive 4165.6 and that revisions will include Rural Development Act requirements. Anticipated completion and publication of the revised Directive is December 2003.

**Military Department Policy and Procedures.** During the audit, the Army and Navy also issued policy memorandums that reiterated the provisions of the Rural Development Act of 1972. However, Rural Development Act policy had not been incorporated into procedural requirements within Army and Navy regulations. Air Force policies and procedures complied with the requirements of the Rural Development Act of 1972 and were documented in Air Force Handbook 32-9007.

**Army.** On March 21, 2003, the Office of the Assistant Secretary of the Army (Installations and Environment) issued a policy memorandum to ensure that the Rural Development Act of 1972 is implemented. However, Army Regulation 405-10, “Acquisition of Real Property and Interests Therein,” August 1, 1970, does not include procedures for implementing the requirements of the Rural Development Act of 1972. The Army had begun the process of revising Army Regulation 405-10 and provided a draft version, which included Rural Development Act requirements.

**Navy.** On March 13, 2003, the Office of the Assistant Secretary of the Navy (Installations and Environment) issued a policy memorandum to ensure implementation of the Rural Development Act. However, Secretary of the Navy (SECNAV) Instruction 11011.47, “Acquisition, Use by Others and Disposal of Department of the Navy Real Property,” June 20, 1983, does not include

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procedures for implementing requirements of the Rural Development Act of 1972. Personnel from the Office of the Assistant Secretary of the Navy (Installations and Environment) stated that SECNAV Instruction 11011.47 is under revision and will include Rural Development Act requirements. The Navy had begun the process of revising SECNAV Instruction 11011.47 and provided a draft version, which included Rural Development Act requirements.

**Air Force.** Air Force Handbook 32-9007, “Managing Air Force Real Property,” May 1, 1999, addresses the requirements of the Rural Development Act of 1972. Specifically, the Handbook states that when acquiring real property, the requesting activity must provide a statement acknowledging the selected area is in compliance with the Rural Development Act of 1972.

## Summary

DoD had established policies for implementing the requirements of the Rural Development Act of 1972; however, with the exception of the Air Force, DoD had not established procedures that would specifically give first priority to the location of new offices and other facilities in rural areas. During the audit, Army and Navy regulations governing real property acquisition were under revision and included draft procedures for implementing Rural Development Act requirements. Therefore, we did not make recommendations to the Army and Navy. Revising DoD regulations that specifically reflect the requirements of the Rural Development Act of 1972 will result in additional assurance that the DoD meets the intent of the Act.

## Recommendation and Management Comments

**We recommend the Deputy Under Secretary of Defense (Installations and Environment) revise DoD Directive 4165.6, “Real Property Acquisition, Management, and Disposal,” September 1, 1987, and incorporate the requirements of Public Law 92-419, “Rural Development Act,” section 601, August 30, 1972.**

**Management Comments.** The Principal Assistant Deputy Under Secretary of Defense (Installations and Environment) concurred with the recommendation, stating that they initiated a complete revision of DoD Directive 4165.6. The revision will incorporate the specific guidance contained in the February 21, 2003 policy memorandum. Anticipated completion and publication of the revised Directive is December 2003.

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## Appendix A. Scope and Methodology

We reviewed documentation dated 1970 through 2003. To accomplish the audit objective, we:

- Reviewed applicable DoD and Military policies, procedures, and regulations to evaluate the requirements to the audit objective.
- Interviewed Office of the Secretary of Defense, Army, Navy, and Air Force personnel to determine whether action was being taken to meet the requirements of the Rural Development Act of 1972.

We performed this audit from March 2003 through May 2003 in accordance with generally accepted government auditing standards.

We did not review the management control program as it related to the overall objective because of time constraints associated with submitting the report within the congressionally mandated 6-month time frame.

**Use of Computer-Processed Data.** We did not use computer-processed data to perform this audit.

**General Accounting Office High-Risk Area.** The General Accounting Office has identified several high-risk areas in DoD. This report provides coverage of the Federal Real Property high-risk area.

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## **Prior Coverage**

During the last 5 years, the General Accounting Office and the IG DoD issued two reports related to DoD policies and procedures for implementing the Rural Development Act of 1972. Unrestricted General Accounting Office reports can be accessed over the Internet at <http://www.gao.gov>. Unrestricted IG DoD reports can be accessed at <http://www.dodig.osd.mil/audit/reports>.

## **General Accounting Office**

General Accounting Office Report No. 01-805, “Facilities Location: Agencies Should Pay More Attention to Costs and Rural Development Act,” July 2001

## **IG DoD**

IG DoD Report No. D-2002-089, “Department of Defense Policies and Procedures to Implement the Rural Development Act of 1972,” May 10, 2002

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## **Appendix B. Report Distribution**

### **Office of the Secretary of Defense**

Under Secretary of Defense (Comptroller)/Chief Financial Officer  
Deputy Chief Financial Officer  
Deputy Comptroller (Program/Budget)  
Deputy Under Secretary of Defense (Installations and Environment)\*  
Director, Defense Procurement and Acquisition Policy

### **Department of the Army**

Assistant Secretary of the Army (Financial Management and Comptroller)  
Auditor General, Department of the Army

### **Department of the Navy**

Naval Inspector General  
Auditor General, Department of the Navy

### **Department of the Air Force**

Assistant Secretary of the Air Force (Financial Management and Comptroller)  
Auditor General, Department of the Air Force

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Office of Management and Budget

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Senate Subcommittee on Defense, Committee on Appropriations  
Senate Committee on Armed Services  
Senate Committee on Governmental Affairs  
House Committee on Appropriations  
House Subcommittee on Defense, Committee on Appropriations  
House Committee on Armed Services  
House Committee on Government Reform

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## **Congressional Committees and Subcommittees, Chairman and Ranking Minority Member (cont'd)**

House Subcommittee on Government Efficiency and Financial Management, Committee on Government Reform

House Subcommittee on National Security, Emerging Threats, and International Relations, Committee on Government Reform

House Subcommittee on Technology, Information Policy, Intergovernmental Relations, and the Census, Committee on Government Reform

# Office of the Deputy Under Secretary of Defense (Installations and Environment) Comments



ACQUISITION,  
TECHNOLOGY  
AND LOGISTICS

## OFFICE OF THE UNDER SECRETARY OF DEFENSE

3000 DEFENSE PENTAGON  
WASHINGTON, DC 20301-3000

### MEMORANDUM FOR DEPUTY DIRECTOR CONTRACT MANAGEMENT DIRECTORATE, DODIG

THRU: DIRECTOR, ACQUISITION RESOURCES AND ANALYSES *MS 4/5/03*

SUBJECT: DoD IG Draft Report, Department of Defense Policies and Procedures to  
Implement the Rural Development Act of 1972 dated May 14, 2003 (Project  
No. D2003CK-0092)

This office concurs with the recommendation in the draft report.

Since your initial inquiry, we have initiated a complete revision of DoDD 4165.6, "Real Property Acquisition, Management and Disposal." As part of that revision, we will incorporate the specific guidance contained in the attached February 21, 2003, policy memorandum on this subject and Public Law 92-419, section 601. Anticipated completion and publication of the revised Directive is December 2003.

A handwritten signature in black ink, reading "Philip W. Grone".

Philip W. Grone  
Principal Assistant Deputy Under Secretary of Defense  
(Installations and Environment)

Attachment  
As stated





ACQUISITION,  
TECHNOLOGY  
AND LOGISTICS

OFFICE OF THE UNDER SECRETARY OF DEFENSE

3000 DEFENSE PENTAGON  
WASHINGTON, DC 20301-3000

FEB 21 2003

MEMORANDUM FOR ASSISTANT SECRETARY OF THE ARMY (INSTALLATIONS  
AND ENVIRONMENT)  
ASSISTANT SECRETARY OF THE NAVY (INSTALLATIONS  
AND ENVIRONMENT)  
ASSISTANT SECRETARY OF THE AIR FORCE  
(INSTALLATIONS, ENVIRONMENT AND LOGISTICS)  
DEPUTY GENERAL COUNSEL (ENVIRONMENT AND  
INSTALLATIONS)  
DIRECTORS OF DEFENSE AGENCIES  
DIRECTORS OF DOD FIELD ACTIVITIES

SUBJECT: Implementation of the Rural Development Act of 1972

The purpose of this memorandum is to reissue guidance to ensure that DoD Components are implementing the provisions of the Rural Development Act of 1972, as codified in Section 2204b-1, Title 7, United States Code. This section defines the approach to rural development by giving first priority for the location of new offices and facilities to rural areas.

Specifically, Section 601 of the Rural Development Act of 1972 states:

Congress hereby directs the heads of all executive departments and agencies of the Government to establish and maintain departmental policies and procedures giving first priority to the location of new offices and other facilities in rural areas as defined in the private business enterprise exception in section 306(a)(7) of the Consolidated Farmers Home Administration Act of 1961.

In accordance with Section 2204b-1 of Title 7, United States Code, the Military Departments and Defense Agencies shall give priority consideration to rural areas for the location of new offices and other facilities. This policy will be incorporated into a future revision of DoD Directive 4165.6, "Real Property Acquisition, Management and Disposal".

Philip W. Grone

Principal Assistant Deputy Under Secretary of Defense  
(Installations and Environment)

cc:

Director Real Estate and Facilities,  
Washington Headquarters Services





## **Team Members**

The Contract Management Directorate, Office of the Deputy Inspector General for Auditing of the Department of Defense prepared this report. Personnel of the Office of the Inspector General of the Department of Defense who contributed to the report are listed below.

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